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C O N F I D E N T I A L SECTION 01 OF 02 VIENNA 000701

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TAGS: [ENRG](#) [EPET](#) [EINV](#) [AU](#)

SUBJECT: OMV CEO: NABUCCO KEY FOR EUROPE'S ENERGY SECURITY

REF: A) 06 VIENNA 3486 B) 06 VIENNA 3417

Classified By: Ambassador Susan R. McCaw for reasons 1.4 (b) and (d).

Summary

¶11. (C) During a recent lunch with Ambassador, OMV CEO Wolfgang Ruttenstorfer emphasized that obtaining a sufficient supply of Azeri gas is the key for the start-up of Nabucco. Without Azeri gas, OMV would have to look for other possible suppliers--Iran and Russia--that would not be good alternatives. According to Ruttenstorfer, Turkey vetoed the participation of Gaz de France in the Nabucco project. Russia views Nabucco as a serious challenger, and, in Ruttenstorfer's view, part of Moscow's strategy to scuttle Nabucco involves prying Hungary away from the project. Gas in northern Iraq could eventually feed into Nabucco, but Ruttenstorfer stressed that OMV is, for the moment, primarily interested in commencing oil exploration in the Kurdish region. Ruttenstorfer reiterated that Iran is not a short or medium-term option for OMV, because of political and commercial concerns. However, Ruttenstorfer did not rule out Iranian participation in Nabucco, if the political situation in the country changes.

How Much Gas Does Azerbaijan Have?

¶12. (C) Ambassador met recently with OMV CEO Wolfgang Ruttenstorfer to discuss latest developments on the Nabucco pipeline, business prospects in Iraq, and OMV's commercial presence in Iran. Ruttenstorfer stressed that the key question for Nabucco is how much gas Azerbaijan could provide for southern corridor pipelines. According to Ruttenstorfer, Nabucco needs 8-10 billion cubic meters (bcm) for the initial start-up in 2012. Ruttenstorfer said he would soon follow up on his January visit to Baku to ask Azeri President Aliev to commit to supply the initial stage of Nabucco. Without Azeri gas, Nabucco would have to turn to other possible sources--Iran or Russia--neither of which is a good alternative. Ruttenstorfer added that he had "nothing against the Turkey-Greece Interconnector (TGI)," but he noted that with a capacity of 8 bcm, TGI "was small" compared to Nabucco's ultimate capacity of 30 bcm. He added that Nabucco represented a "highway for gas" to reach Europe's markets.

Turkey Vetoes Gaz de France Participation

¶13. (C) Concerning Turkey, Ruttenstorfer said reaching a transit regime for Nabucco remains a challenge, but there are indications that Turkey is cooperating more closely with its neighbors on energy issues. Iran and Turkey, according to Ruttenstorfer, appear to have settled their dispute. Iran is reportedly selling Turkmen gas to Turkey, and the apparent

quid-pro-quo, according to Ruttenstorfer, is that Turkey is now allowing Iranian gas to transit through Turkey to Europe.

Ruttenstorfer criticized Ankara's "political decision" to veto any French participation in Nabucco, as Gaz de France would have been willing to provide substantial financing for the project. Ruttenstorfer added that Gaz de France's participation would have lent the project considerable political weight within the EU.

Russia Seeking to Scuttle Nabucco

¶4. (C) Ruttenstorfer said that he had frequent contact with Gazprom Vice Chairman Alexander Medvedev, as Medvedev's son lives in Vienna. Medvedev and other Russian interlocutors consistently maintain that Russia wants to cooperate with Nabucco. However, in Ruttenstorfer's opinion, Gazprom views Nabucco as a serious challenger. Gazprom's biggest fear is that Nabucco will eventually enable Transcaspian gas to bypass Russia. Ruttenstorfer opined that Russia's strategy is to "scare off" investment for Nabucco by threatening to move forward with its own southern corridor pipeline. Foreshadowing last week's announcement in Budapest of a Hungarian agreement with Gazprom, Ruttenstorfer said he thought that Russian President Putin was clearly targeting "the Hungarian leadership" in an effort to pry Hungary away from Nabucco. Ruttenstorfer said OMV had heard rumors that Russia is dangling the prospects of giving Hungary an interest in the oil giant Rosneft as a incentive for the GoH to become less enthusiastic about Nabucco.

Iraqi Gas Could Be Part of Nabucco

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¶5. (C) Welcoming recent progress on the Iraqi Hydrocarbon Law, Ruttenstorfer said he had just sent a letter to the Kurdish Ministry of Energy outlining OMV's interest in commencing oil exploration in the region. (Note: ref A reported that OMV had sent a similar letter to the Iraqi Oil Minister in November. End Note) According to Ruttenstorfer, OMV is primarily interested in oil exploration, but he noted that development of gas reserves in the region could be promising and could provide a spur for Nabucco.

Iran--Only a Long-term Option for Nabucco

¶6. (C) Ruttenstorfer reiterated (ref B) that Iran is not a current option for Nabucco, but he did not rule out Iranian participation in the long run. In addition to Iran's political baggage, Ruttenstorfer maintained that Iran is traditionally a very difficult business partner. Ruttenstorfer agreed that the imposition of UNSC sanctions had prompted the Tehran regime to become more active in the West to portray an image of "business as usual." In this vein, comments from Iranian officials at a January energy conference in Vienna had tried to present old agreements with western companies as new relationships.

¶7. (C) Ruttenstorfer said that Iranian authorities had only recently declared OMV's 2004 discovery of oil in the Mehr Block as "commercially viable." OMV, according to Ruttenstorfer, has stopped all of its oil exploration in Iran for the moment.

McCaw